Riverview LAW

FACT SHEET

How we can deliver fixed pricing

Our view on delivering transparency and price certainty

LEGAL MATTERS

The question we're asked most frequently by clients is how can we deliver access to high quality legal advice and support, at fixed prices, when, typically, law firms haven't (or can't, or won't)? There is a short and a long answer.

The short answer is we started with a blank piece of paper and changed the legal service delivery model so it is focused on the customer. We've kept our overheads low. We do not have expensive city-centre premises to pay for. We do not have a large head-office or partner model to support. We use effective technology and workflow systems to enable the legal and support teams to work flexibly and efficiently. What we don't do is cut corners in the quality or reliability of the legal advice we provide access to or the customer experience we deliver.

Professor Stephen Mayson, Director of the Legal Services Institute, succinctly sums up why the legal profession must change:

"The truth is lawyers have been rumbled! They've had it good for a long time, but they're not quite performing as they should; and if it takes something from outside to shake them up, then that's probably what needs to happen."

The Long Answer

The long answer starts with the market and competitor research we commenced in 2009/2010 and the consequences of The Legal Services Act 2007.

Our research included detailed desk-top analysis of white papers, websites, reports, and other market intelligence sources, meetings with numerous senior and managing partners of law firms and in-house corporate lawyers, attendance at legal and related conferences and seminars, briefings with purchasers and suppliers of legal services and related technology providers, and discussions with regulators, other stakeholders and potential new entrants to the market.

A key part of our research was to understand The Legal Services Act 2007 which has, probably for the first time, opened the legal market to real competition and innovation. Until 2011/2012 law firms could only be owned and run by lawyers. This regulatory protection sheltered the legal market from the normal competitive pressures and innovation other sectors of the economy have been, and are, subjected to. Lawyers competed, in a largely closed environment, with other lawyers. This helped perpetuate operating models such as the billable hour, which have tended to benefit law firms and their partners rather than clients seeking price certainty and transparency. It also reduced real choice.

Our research indicated that the legal market is ripe for significant change. Responses in meetings and at conferences ranged from the complacent ('We'll be fine, the changes won't impact us .."), through a recognition that change is inevitable but with no plan as to how to respond ("Our partnership model makes it difficult to make decisions quickly …"), to a few people, law firms and organisations who had already 'got it' and were planning their response ("Other law firms think Tesco Law will only impact the consumer, they're wrong it will impact business law significantly …").

For example, on 25 October 2010 Sir Nigel Knowles, Joint Chief Executive and Managing Partner of DLA Piper, and Non-Executive Chairman of the Riverview Law holding company, commented in the Daily Telegraph:

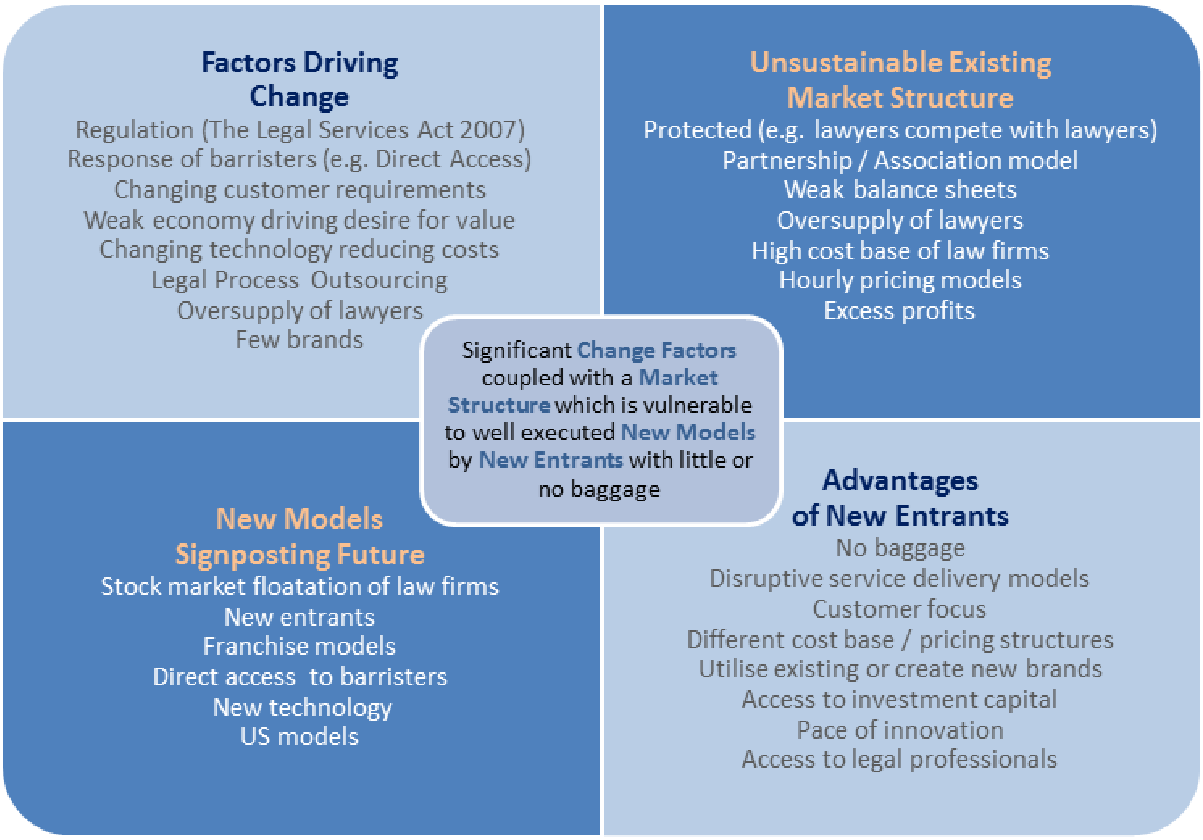
"It might seem an odd statement from the Chief Executive of one of the world's largest law firms, but the legal profession is well behind the curve. Lawyers and legal firms need to evolve and embrace the changed market conditions. While there will remain some circumstances where the billable hour is justified, my firm conviction is that its relevance is shrinking considerably and it will rapidly become an anachronism."

In May 2010 Professor Stephen Mayson, Director of the Legal Services Institute, commenting on Alternative Business Structures being introduced by The Legal Services Act 2007 observed:

"If ABSs are the answer, what is the question? I'm afraid the lawyers are not going to like the question! It seems to me that, when you boil it down, it's this: Why are lawyers so slow to change, so slow to take up best business practice, and so slow to adopt innovation; and what is it we can do to forestall them from using the professional principles they hold dear (quite rightly) as a justification for resistance? The answer is a new regulatory framework. The truth is lawyers have been rumbled! They've had it good for a long time, but they're not quite performing as they should; and if it takes something from outside to shake them up, then that's probably what needs to happen."

The diagram below summarises the detailed outputs of our 2010/2011 market research and analysis. It uses four quadrants to explore the themes impacting the market. These themes are best read in this order:

- Factors driving change
- Unsustainable existing market structure
- New models signposting future
- Advantages of new entrants



Long debates can and will be had around the themes in the diagram and, inevitably, it does not cover some trends. However, the general direction of travel is clear:

- The UK legal market is very large (c£24 billion pa);
- It is fragmented, with few brands;
- It is entering a significant period of upheaval driven by regulatory change;
- This structural change is compounded by changing customer expectations; and
- Technology and outsourcing will play significant roles in legal services as they have in other markets.

Changing the Service Delivery Model

So how does this market context help Riverview Law deliver fixed pricing?

In creating Riverview Law we had all of the advantages of a new entrant. We had a blank piece of paper. No legacy technology systems, culture or people. No expensive offices and overheads. We were able to build our model from the customer up not from the law firm partner down.

Traditionally law firms look at their costs and work out how many billable hours (lawyer utilisation rates) are required to generate a profit. We started from a different point, the customer. We analysed what was important to small, medium and large businesses. We then set about building a different, cost effective, service delivery model that combined people and technology appropriately. To this we added AdviserPlus Business Solutions (AdviserPlus) and DLA Piper as strategic investors.

It is no accident that AdviserPlus and DLA Piper are involved in Riverview Law. AdviserPlus delivers HR, employment and Health & Safety outsourced solutions to businesses of all sizes. For many years it has provided these services to small and medium sized businesses on a fixed price annual contract basis (currently well over 20,000). On a fixed price multi-year contract basis, it also provides HR and H&S outsourcing services to large corporations including banks, utilities, insurance companies, telecoms businesses and logistics organisations.

DLA Piper is one of the largest and most innovative law firms in the world. Its view on changes in the legal market mirrored those of Riverview Law. For example, in the same Daily Telegraph article of 25 October 2010 Sir Nigel Knowles, Joint Chief Executive and Managing Partner of DLA Piper, and Non-Executive Chairman of the Riverview Law holding company, also said:

"In my opinion, the billable hour is the fee structure of the 20th century. Just as faxes have been replaced by emails as the way of conducting business communication, so too should business remuneration make its own quantum leap into the modern age. Law firms need to catch up with the other professional services sectors which have used the fixed-fee model for years now - or else they are in danger of being left behind."

To ensure that we can provide high quality support at fixed prices we have adopted and adapted the best of the AdviserPlus and law firm business models. We see legal services as just that, a service, and have deliberately swept the cobwebs off the traditional client/lawyer interaction. We do not reward our people for the number of 'billable-hours' they generate. We measure success in how effectively and quickly we satisfy your legal requirements.

Making predictions is always risky, but some forecasts are easier to make than others. New entrants have entered and will enter the legal services market. Different pricing models will emerge. Prices will come down without sacrificing quality. Greater focus will be placed on customer service. These and other changes will benefit both clients and the UK economy.

Notes

Contact Details

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If you want to understand more about LawVest Limited, the Riverview Law holding company, please visit www.lawvest.co.uk.

Further information

If you are interested in understanding more about the structure of the legal market and the challenges it faces you may find the following websites and articles useful:

Websites

- Legal Futures: www.legalfutures.co.uk
- Legal 500: www.legal500.com
- The Lawyer: www.thelawyer.com

Articles

- Richard Susskind QC - The end of lawyers (read)
- Professor Stephen Mayson - Director Legal Services Institute
  The major disruptive forces faced by law firms (read)
- If Alternative Business Structures are the answer what are the questions? (read)